

GAO

Report to the Ranking Minority
Member, Committee on Governmental
Affairs, U.S. Senate

September 2001

PUBLIC ASSISTANCE

PARIS Project Can Help States Reduce Improper Benefit Payments



G A O

Accountability * Integrity * Reliability

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Abbreviations

ACF	Administration for Children and Families
CMS	Centers for Medicare & Medicaid Services
DMDC	Defense Manpower Data Center
FNS	Food and Nutrition Service
HHS	Department of Health and Human Services
MCO	managed care organization
OMB	Office of Management and Budget
PARIS	Public Assistance Reporting Information System
SSA	Social Security Administration
SSI	Supplemental Security Income
SSN	social security number
TANF	Temporary Assistance for Needy Families
USDA	Department of Agriculture



United States General Accounting Office
Washington, DC 20548

September 6, 2001

The Honorable Fred Thompson
Ranking Minority Member
Committee on Governmental Affairs
United States Senate

Dear Senator Thompson:

Every year, public assistance programs make millions of dollars in improper payments.¹ Some of these improper payments are made because state and local agencies that administer the programs lack adequate, timely information to determine recipients' eligibility for assistance. For example, in a report prepared for the Senate Committee on Governmental Affairs in September 2000, we noted that state agencies responsible for administering Temporary Assistance for Needy Families (TANF) lacked a comprehensive mechanism to share vital eligibility information with their counterparts in other states.² This inability to share information can result in both federal and state tax dollars being needlessly spent on benefits for the same individuals and families in more than one state.

In 1997, staff at the Administration for Children and Families (ACF) within the Department of Health and Human Services (HHS) initiated a project to help states share eligibility information with one another. The Public Assistance Reporting Information System interstate match (hereafter referred to as PARIS) helps states share information on public assistance programs, such as TANF and Food Stamps, to identify individuals or families who may be receiving benefit payments in more than one state simultaneously.³ PARIS also allows states to share eligibility information

¹See *Financial Management: Billions in Improper Payments Continue to Require Attention* (GAO-01-44, October 27, 2000) and *Financial Management: Increased Attention Needed to Prevent Billions in Improper Payments* (GAO/AIMD-00-10, Oct. 29, 1999). Improper payments include payments that should not have been made or were made for incorrect amounts irrespective of whether the agency had effective controls in place. Specifically, improper payments would include inadvertent errors, such as duplicate payments and calculation errors; payments for unsupported or inadequately supported claims; payments for services not rendered or to ineligible beneficiaries; and payments resulting from outright fraud and abuse.

²See *Benefit and Loan Programs: Improved Data Sharing Could Enhance Program Integrity* (GAO/HEHS-00-119, Sept. 13, 2000).

³PARIS also includes information-sharing efforts between states and federal agencies, such as the Department of Veterans Affairs.

about Medicaid, the federal-state health financing program for certain low-income individuals, which may become more important as states continue to enroll more beneficiaries in managed care organizations (MCOs). In a Medicaid capitated managed care environment, states make prospective monthly payments to MCOs for each beneficiary enrolled to provide or arrange for all needed health services. Thus, if a Medicaid beneficiary moved out of state and the state did not register the change, it would continue to make the MCO monthly payment until the discrepancy was discovered.⁴

PARIS is a voluntary project in which the participating states sign a uniform agreement that governs the interstate exchange of data. Recipient lists for all participating states are matched (compared) with one another quarterly at a central location, using individuals' social security numbers (SSN). Each state subsequently receives a list of individuals who may be receiving duplicate TANF, Medicaid, and Food Stamp benefits in another state. All participating states are expected to verify whether individuals identified in the match are eligible for benefits in their state and remove them from the rolls if they are not eligible. Some states use their local benefit office staff to follow up on the matches, while others use fraud investigators or some combination of the two.

Because of its potential for identifying improper benefit payments, you asked us to review the PARIS project to determine (1) how effective PARIS has been in identifying improper payments and (2) the limitations of PARIS. You also asked us to identify what, if any, improvements can be made to PARIS.

To answer these questions, we interviewed and collected data from federal, state, and local officials responsible for administering the TANF, Medicaid, and Food Stamp programs. At the federal level, ACF administers TANF, and HHS' Centers for Medicare & Medicaid Services (CMS) administers Medicaid, while the Department of Agriculture's (USDA) Food and Nutrition Service (FNS) administers the Food Stamp program.⁵ Our interviews included officials from the 16 states and the District of Columbia that had participated in PARIS at least once since August 2000.

⁴Under a traditional fee-for-service environment, payments in two states for the same beneficiary would occur if a beneficiary intentionally used medical services in two different states.

⁵Until June 2001, CMS was known as the Health Care Financing Administration. Other federal agencies we contacted included the Office of Management and Budget (OMB) and the Social Security Administration (SSA).

We also conducted site visits to seven jurisdictions.⁶ In addition, we spoke with officials from seven states that were not participating in the project at the time of our review and visited two jurisdictions in one of these states.⁷ Finally, we performed our own analysis using available data from five states to identify key factors that can influence the extent to which participation in PARIS can result in program savings.⁸ Our analysis is based on a limited number of states, and thus, the results are not generalizable to other states. Nonetheless, the results may provide useful insights to other states that are considering participating in PARIS.

Results in Brief

Officials in almost all of the 16 states and the District of Columbia that participated in PARIS reported that the project has helped identify improper TANF, Medicaid, or Food Stamp payments in more than one state. However, few states have collected data on the actual savings resulting from their participation in PARIS. Four states and the District of Columbia documented about \$16 million in savings, attributed mostly to the prevention of future improper payments. In particular, these states reported significant savings in the Medicaid program. In addition, three of these states collected data on costs as well as savings from their participation in PARIS, and all three reported that their savings were greater than the costs they incurred to participate in the project. Moreover, our own analysis also suggests that PARIS could help other states save program funds by identifying and preventing future improper payments.

Despite the success that some states have reported with PARIS, the project has several limitations. First, the opportunity to detect improper duplicate payments is not as great as it could be because only one-third of the states participate in the project, and thus, a substantial portion of the national public assistance recipient population is not included in the PARIS matching process. This is partly because the federal agencies responsible for these programs have done little to encourage state participation in PARIS through outreach efforts or to systematically address state concerns that have contributed to limited participation.

⁶We visited the following jurisdictions participating in PARIS: Tallahassee and Miami, FL; Baltimore, MD; Harrisburg and Philadelphia, PA; New York City, NY; and Washington, D.C.

⁷We interviewed officials from Arkansas, California, Colorado, Louisiana, Nevada, Texas, and Utah, and conducted site visits to Sacramento and San Francisco.

⁸The following states provided us with data for our analysis: Kansas, Maryland, New York, Pennsylvania, and Texas.

Second, participating states do not have adequate protocols or guidelines to facilitate critical interstate communication. As a result, some states have reported problems that compromise the effectiveness of the project, such as difficulty determining whether an individual identified in a match is actually receiving benefits in another state. Third, state administrators for the TANF, Medicaid, and Food Stamp programs have not always placed adequate priority on using PARIS matches to identify recipients who are residing in other states. As a result, individuals may continue to receive or have benefits paid on their behalf in more than one state even after they were identified through the matching process. Finally, because the PARIS match is only designed to identify people after they are already on the rolls, it does not enable the states to prevent improper payments from being made in the first place.

Several actions could improve PARIS and help the project save additional federal and state program funds. Although these actions would require the states to carry the primary responsibility for improving the day-to-day operations of the project, the federal government could take a greater leadership role in helping facilitate their efforts. This leadership role would have to balance the need for adequate state flexibility to administer the programs with the need for accountability to ensure that federal and state program funds are spent only on eligible individuals. We are making recommendations to the Secretary of HHS that will improve the PARIS project while taking these needs into account.

In commenting on a draft of this report, HHS officials agreed with the overall intent of our recommendations, but consistently stressed the need for additional funding and staff resources to increase their PARIS activities. FNS officials noted that the report is a balanced and fair description of the PARIS project, but they expressed concern that several passages suggest that FNS should have a more formal role in PARIS.

Background

The PARIS interstate match program was initiated to help state public assistance agencies share information with one another. Its primary objective is to identify individuals or families who may be receiving or having duplicate payments improperly made on their behalf in more than one state. In this voluntary project, the participating states agree to share eligibility data on individuals who are receiving TANF, Food Stamps, Medicaid, or benefits from other state assistance programs. The participating states are primarily responsible for the day-to-day administration of PARIS, and each state designates a coordinator for the project.

How PARIS Operates

PARIS uses computer matching to identify improper benefit payments involving more than one state. This process entails comparing participating states' benefit recipient lists with one another, using individuals' SSNs. Other items of information are included in the files that the states share, such as the individual's name, date of birth, address, case number, public assistance benefits being received, and dates that benefits were received. Matches are conducted by the Defense Manpower Data Center (DMDC) in February, May, August, and November of each year.⁹ DMDC produces a file of all the SSNs on the list submitted by the participating state that are the same as the SSNs appearing on the list of some other state and provides the matched records, known as match hits, to ACF, who forwards them to the appropriate states. To be considered a working member of PARIS, states agree to participate in at least the August match each year.

Once the participating states receive the file of matched SSNs from DMDC, they are expected to send the match hits to the appropriate staff for follow-up or investigation. The staff may take a number of steps to verify information that affects individuals' eligibility for benefits. These steps include requiring an individual to come into the office to show proof of residency and contacting other states to verify whether the individual is still receiving benefits from those states. Improper benefit payments may be made because of client error, agency administrative error, or fraud and abuse. A client error might occur when an individual receiving program benefits in one state moves to another state but fails to report the move to program authorities. An administrative error could occur when a local benefit worker is informed that the recipient is moving out of the state but fails to update the record. Without PARIS matching, such errors might not be detected until the individual is asked to reverify program eligibility, which could occur as much as a year later. Additionally, the reverification of eligibility might not detect fraud or abuse when a person deliberately obtains benefits in more than one state by providing false information to program authorities.

If after investigating the match hit, state or local officials determine that an individual is improperly receiving public assistance benefits in their state, they may initiate action to cut off benefits. In general, to protect the rights of the recipients, administrative due process requirements must be followed before benefits can be cut off. For example, an individual may be given up to 30 days to respond to a formal notice that benefits will be

⁹DMDC acts as an independent contractor for ACF and the states, and it provides computer matching services free of charge.

stopped. Moreover, if the recipient can demonstrate that he or she is residing in the state and is eligible for assistance, then benefits may be continued or reinstated.

To ensure the confidentiality of the records that are identified in a match, states must agree to the terms specified in the uniform computer matching agreement that all states sign as a condition of their participation in PARIS. Section three of this agreement requires that the states

“...will ensure that confidential recipient information received pursuant to this Agreement shall, as required by law, remain confidential and be used only for the purpose of the above described match and for verifying eligibility and detecting and preventing fraud, error and abuse in [their] respective Programs.”¹⁰

About the Three Programs We Examined

Our review focuses on three benefit programs covered by PARIS interstate matches: TANF, Medicaid, and Food Stamps. Benefits for TANF and Food Stamps are provided directly to recipients; however, Medicaid payments are made directly to those who provide health care services, such as MCOs and other health care providers. All three programs are generally administered at the state and local level, but are funded with federal money or a combination of federal and state money. Depending on the state, the same staff in local offices may determine eligibility and benefit levels for all three programs. However, some states administer the TANF and Food Stamp programs separately from the Medicaid program. Table 1 provides a brief description of the three programs.

¹⁰The agreement also requires the states to take reasonable steps to ensure the security and confidentiality of information obtained under the agreement, including having “...locked files or other devices reasonably calculated to prevent unauthorized copying or removal of manually held data; passwords, access logs, badges or other methods of safeguarding electronically or mechanically held data; limited physical access; limited access to input documents and output documents; and design provisions which avoid unnecessary use of names or other personal identifiers of data subjects.”

Table 1: Programs We Examined That Are Covered by PARIS

Implementation	Federal program		
	TANF ^a	Medicaid	Food Stamps
Authorizing law	Personal Responsibility and Work Opportunity Reconciliation Act (1996)	Title XIX of the Social Security Act (1965)	Food Stamp Act (1964)
Purpose	Assistance to needy families and to end dependence on government benefits by promoting job preparation, work, and marriage.	Medical assistance for certain categories of needy individuals, including families with low incomes and resources.	Monthly allotments of coupons or electronic benefits for low-income households redeemable for food at retail stores.
Funding	In fiscal year 2000, the program was funded by a total of \$23.5 billion in federal and state expenditures, including 12.5 billion in federal block grants, and \$11.1 billion in state funds. The program served about 5.8 million individuals as of September 2000.	Funded jointly by the states and the federal government. State expenditures trigger federal matching funds at a rate, that is based on a statutory formula, that varies by state. The federal matching rate averages 57 percent nationally. In 2000, the program covered health services for 34 million persons at a cost of about \$190 billion.	Funded by the federal government. In 2000, about 17 million individuals received Food Stamps at a cost of \$17.1 billion. ^b
Administration	States have flexibility over the administration and design of their welfare programs, but must impose several federal requirements, including time limits on aid.	The Centers for Medicare & Medicaid Services (CMS) provides broad oversight of Medicaid at the federal level; however, each state is responsible for managing its own program. Many states contract with managed care organizations to provide primary care and sometimes other services to beneficiaries for a set monthly payment.	USDA's Food and Nutrition Service manages the program through agreements with state agencies. The states administer the program through local benefit offices.

^aTemporary Assistance for Needy Families.

^bThese figures are preliminary and subject to change.

Source: GAO.

A fourth program—the SSI Program administered at the federal level by SSA—is indirectly related to the PARIS interstate matches. In many states, SSI recipients are automatically qualified to receive Medicaid and are therefore included in PARIS matches.

PARIS: A Potentially Cost-Beneficial Means of Controlling Improper Payments

PARIS coordinators in most of the 16 participating states and the District of Columbia told us they believe the interstate match is effective in identifying improper TANF, Medicaid, and Food Stamps benefit payments in more than one state. By eliminating these duplicate recipients from the rolls, states can prevent future improper payments and save program dollars. However, few states tracked the actual savings realized from the PARIS match. Four states and the District of Columbia reported a total of about \$16 million in estimated savings from various PARIS matches

conducted in 1997, 1999, and 2000.¹¹ A substantial proportion of the estimated savings was attributed to the Medicaid program.¹² While officials in only three states have compared the costs to the benefits that result, their studies indicate that the matching is cost-beneficial. We prepared our own analysis, which also suggests that PARIS may help states save program funds by identifying and preventing future improper payments.

PARIS Detects Improper Payments in Bordering and Nonbordering States

PARIS helps to identify improper benefit payments in bordering and nonbordering states according to most of the PARIS coordinators we spoke with. The February 2001 match identified almost 33,000 instances in which improper payments were potentially made on behalf of individuals who appeared to reside in more than one state. Of these, 46 percent of the potential hits involved Medicaid benefits alone, while the remaining 54 percent involved some combination of TANF, Medicaid, and Food Stamps. However, most of the states did not maintain detailed records on the number of potential match hits that were, in fact, found to be instances of improper payments. Nor were they able to tell us what proportion of improper TANF and Food Stamp payments were due to client error, administrative error, or fraud and abuse.¹³

Some PARIS coordinators believe that fraud and abuse may be more common in areas where two states share an urban border. For example, one coordinator told us that individuals living in the District of Columbia metropolitan area could travel in minutes to Maryland and Virginia and apply for benefits in each place. Figure 1 depicts participating states and the District of Columbia and their shared borders.

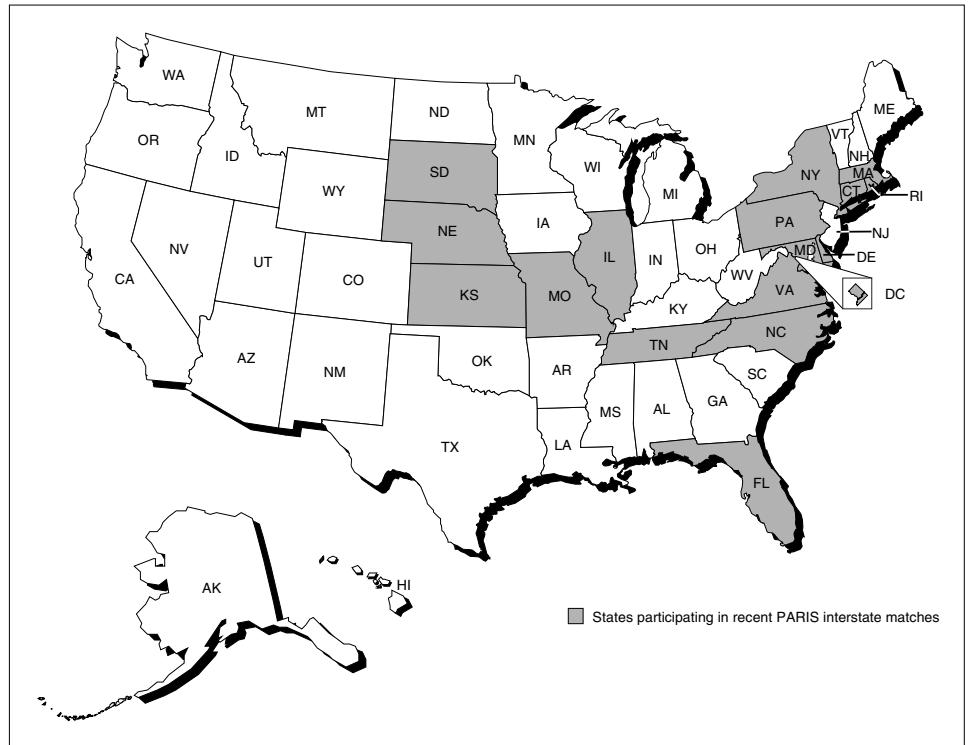
Independent of PARIS, some states conduct interstate matches with bordering states to prevent improper payments caused by either error or potential fraud and abuse. Many of these states now participate in the PARIS match. PARIS coordinators told us that the PARIS approach offers significant advantages over single state-to-state matches.

¹¹All estimated savings attributed to matches conducted in 1999 and 2000, except for the District of Columbia, which reflects savings from one match in 1997.

¹²Duplicate Medicaid payments may occur because recipients who are covered by MCOs do not notify a state that they are moving to another state. The state may continue to pay premiums to the MCO because it is unaware the recipient has moved. Savings can be realized by identifying recipients who move and stopping future payments.

¹³It appears that most Medicaid improper payments were due to administrative error.

Figure 1: States Participating in Recent PARIS Matches



Source: DMDC records of states that participated in at least one PARIS interstate match from August 2000 through February 2001.

For example, PARIS makes it possible for a state to match with numerous other states by simply submitting a file to a central agency. In addition, a uniform data-sharing agreement covers the exchange, and the DMDC adjusts for incompatibilities between different computer systems. This unified approach can be more efficient than individual state-to-state matches and can help to reduce the expense of matching.

In addition to simplifying matches with bordering states, PARIS also facilitates data sharing with nonbordering states. This is important because even when two states do not share a border, improper payments can still be made, whether due to error or deliberate deception, such as fraud and abuse. For example, PARIS officials in New York discovered a woman receiving TANF benefits in New York for five children who were actually living with relatives and receiving benefits in Illinois. Table 2

shows the results from the February 2001 PARIS match for selected states, including nonbordering states.¹⁴

Table 2: Number of Potential Improper Payments for Selected States, February 2001

Matching states (and D.C.)	District of Columbia	Florida	Illinois	Maryland	New York	North Carolina	Pennsylvania
District of Columbia		30	18	778	88	179	37
Connecticut	4	48	42	22	369	97	19
Florida	30		883	246	1,097	752	220
Illinois	18	883		170	539	409	144
Kansas	2	38	106	3	23	22	5
Maryland	778	246	170		498	477	235
Massachusetts	9	91	93	44	616	90	67
Missouri	16	138	985	26	62	72	42
Nebraska	5	34	146	8	13	10	5
New York	88	1,097	539	498		1,268	651
North Carolina	179	752	409	477	1,268		218
Pennsylvania	37	220	144	235	651	218	
Rhode Island	2	40	43	25	312	30	22
Tennessee	2	67	198	13	46	71	10
Virginia	160	158	115	336	482	583	95
Total	1,330	3,842	3,891	2,881	6,064	4,278	1,770

Note 1: This table represents the initial match hits for selected states that were returned by DMDC for follow up. The totals for the table do not add up to 33,000 because not all states that participated in the match are included here. In addition, not all the match hits identify actual incidences of duplicate benefits, and therefore, not all match hits will yield savings in the three programs.

Note 2: Shaded blocks indicate matches between bordering states.

Source: GAO analysis of DMDC records.

About 80 percent of the match hits listed in table 2 are between states that do not border one another. For example, North Carolina has more match hits with Florida and New York than it does with neighboring Virginia. In addition, in New York and Pennsylvania, match hits with nonbordering states represented 73 percent and 50 percent of their total match hits, respectively. Although both of these states have matched recipient data with bordering states for years, the PARIS match identified numerous instances of potential duplicate benefits in nonbordering states that might not otherwise have been detected.

¹⁴The numbers reflect the total number of matches reported by DMDC, not the proportion of those matches that actually produced program savings.

PARIS Helped Several States Avoid Millions in Improper Payments

While most states do not track the savings they have achieved or the costs they incurred because of the PARIS match, a small number of states were able to document the results of participating in the project. Four states and the District of Columbia provided us with their estimated savings from participating in PARIS. Three of the states also performed cost-benefit analyses, demonstrating that they found PARIS to be cost-beneficial.¹⁵

- Pennsylvania estimated that two quarterly matches in 2000 produced more than \$2.8 million dollars in annual savings in the TANF, Medicaid, and Food Stamp programs and achieved a savings-to-cost ratio of almost 12 to 1. About \$2.5 million (87 percent) of the total estimated savings are attributed to the Medicaid program.
- Maryland estimated that its first PARIS match in 1997 produced savings of \$7.3 million in the Medicaid program alone. The match identified numerous individuals who were originally enrolled in Medicaid due to their SSI eligibility, but at the time of the match no longer lived in the state. Subsequent matches conducted between November 1999 and August 2000 have produced savings of about \$144,000 in the TANF, Medicaid, and Food Stamp programs, with a savings-to-cost ratio of about 6 to 1.
- Kansas estimated that two PARIS matches in 1999 and 2000 resulted in savings of about \$51,000 in the TANF, Medicaid and Food Stamp programs, with a savings-to-cost ratio of about 27 to 1.
- New York reported that improper payments identified in four matches conducted in 1999 and 2000 produced estimated savings of \$5.6 million; however, the state did not collect data on the costs associated with investigating these matches.
- The District of Columbia estimated that one PARIS match conducted in 1997 resulted in savings of about \$311,000 in the TANF and Food Stamp programs; however, officials did not collect savings data for the Medicaid program, nor did they collect cost data.

Our discussions with numerous state and federal officials have led us to conclude that the substantial variation in the estimated program savings and savings-to-cost ratios across these states is attributable to a number of factors. These factors, which could also apply to any participating state, include differences in

- the extent to which state and local officials follow up on (or fail to pursue) match hits and take action to cut off benefits where appropriate;
- the methods and assumptions states use to estimate their savings;

¹⁵We did not independently verify the validity or reliability of the states' data.

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- the proportion of match hits that are valid in that they are found to reflect actual improper benefits being paid in more than one state (a higher proportion of valid match hits will generally yield more program savings than a lower rate, and is more likely to be cost-beneficial);¹⁶
 - the estimated number of months of avoided benefit payments;
 - the size of the recipient population and the monthly benefits provided in each state under the TANF, Medicaid, and Food Stamp programs;
 - how long it takes local office staff or fraud investigators to follow up on match hits;
 - the salary costs of state and local staff involved with PARIS; and
 - the cost to create an automated list of recipients at the state level to be sent to DMDC.

Because so few states had analyzed their savings and costs from participating in PARIS, we performed an independent analysis to assess how certain factors might influence the extent to which participating in PARIS could achieve program savings. We studied how certain key variables, such as the number of programs included, the proportion of match hits that are valid, and the estimated number of months of avoided benefit payments could affect the overall savings a state might achieve by participating in PARIS. We used national data where available (such as average benefits paid to recipients for each program). When national data were not available, we used the experiences of five states for our analysis.¹⁷ We used professional judgment to determine the values for several key assumptions in our analysis. Specifically, using a hypothetical example in which 100 match hits are sent to local benefit offices for staff to investigate, we assumed that

- each match hit requires 2 hours to determine whether benefits are improperly being paid in more than one state and costs \$68.97 on average, resulting in a total of \$6,897 in salaries and related expenses to follow up on all 100 match hits;

¹⁶The proportion of valid match hits depends, in part, on the extent to which states filter their raw match data. For example, many states check for and filter out cases that have been recently closed. The cases that are filtered out are not sent to local benefit workers for follow-up, thereby reducing the number of match hits requiring action and ultimately lowering the costs (and potentially the savings) of participating in PARIS.

¹⁷We used national data for the benefits paid to individuals and families in the TANF, Medicaid, and Food Stamp programs. Other cost and savings figures we used are based on data provided by Kansas, Maryland, New York, Pennsylvania, and Texas. Texas was not participating in PARIS at the time our analysis was performed. However, we included data from this state because we determined that a current border state match it conducts with three neighboring states is similar to the PARIS match.

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- the average state cost is about \$440 to generate the automated list;
 - 20 percent of the match hits investigated are found to be valid; and
 - program savings come entirely from the future benefit payments that are avoided.

(See app. I for a more detailed description of the data and assumptions used in our analysis.)

Our analysis suggests that PARIS, as it currently operates, could help save both federal and state program funds.¹⁸ In particular, our analysis indicates that if states include the TANF, Medicaid, and Food Stamp programs in their matching activities, the net savings could outweigh the costs of participation.¹⁹ Using our hypothetical example in which 100 match hits are sent to local benefit office staff for follow-up, we illustrate in table 3 how the savings to a state from participating in one PARIS match could vary depending on (1) the number of programs included in the match and (2) differences in the valid hit rate. The table assumes that the savings for each program accrue for 3 months.

If 20 percent of the match hits are valid (they accurately identify 20 out of 100 instances in which improper benefits are being paid in more than one state) and the individuals identified are enrolled in all three programs, the match would produce gross savings of almost \$42,000, yielding a savings-to-cost ratio of about 5 to 1. Ultimately, the match would result in net savings of more than \$34,000, as shown in table 3, taking into account total match costs of about \$7,000. Conversely, costs exceed savings under only one scenario in this example. A valid hit rate of 10 percent, in which the match only includes the Food Stamp program—a rate substantially below what participating states have reported—would result in a net cost to the state of about \$3,300.

¹⁸Savings from improper payments that are avoided in the TANF program would accrue to the states, savings from the Medicaid program would accrue to both the states and the federal government, and savings from the Food Stamp program would generally accrue to the federal government. The proportion of the savings in the Medicaid program accruing to the states and federal government would vary depending on the percentage of program funds that individual states contribute toward their Medicaid programs.

¹⁹The figures we discuss here are net savings or costs. These figures represent the final cost or savings a state could experience once the costs of conducting the match have been subtracted.

Table 3: Estimated Net Savings Given Varying Valid Hit Rates

Program	Valid match hits and net savings		
	10%	20%	30%
TANF only	\$912	\$9,161	\$17,409
Medicaid only	1,225	9,787	18,349
Food Stamps only	-3,266 ^a	804	4,875
TANF and Food Stamps	4,983	17,302	29,622
TANF and Medicaid	9,474	26,285	43,095
Food Stamps and Medicaid	5,296	17,928	30,561
All three	\$13,545	\$34,426	\$55,308

Note: The table assumes that 3 months of benefit payments are avoided as a result of the match. Savings in program expenditures are in nominal 1999 and 2000 dollars.

^aRepresents net costs rather than savings.

Source: GAO analysis.

The number of months that future benefit payments are avoided can also influence the amount of savings that result from a PARIS match. Table 4 illustrates the variation in program savings that could result depending on the number of months of future benefits that are avoided and the number of programs matched, given a 20-percent valid hit rate.²⁰

Table 4: Estimated Net Savings Given a Varying Number of Future Benefit Payment Months Avoided

Program	Benefit months avoided and net savings		
	1 month	3 months	6 months
TANF only	-1,838 ^a	9,161	25,658
Medicaid only	-1,629 ^a	9,787	26,911
Food Stamps only	-4,623 ^a	804	8,946
TANF and Food Stamps	876	17,302	41,941
TANF and Medicaid	3,870	26,285	59,906
Food Stamps and Medicaid	1,085	17,928	43,194
All three	6,584	34,426	76,189

Note: The table assumes a valid match hit rate of 20 percent. Savings in program expenditures are in nominal 1999 and 2000 dollars.

^aRepresents net costs rather than savings.

Source: GAO analysis.

²⁰The average valid hit rate reported by five states was 32.4 percent.

As the table shows, there are three scenarios under which a state in our analysis would experience a net loss from participating in PARIS. One month's worth of TANF, Medicaid, or Food Stamp benefits avoided would yield a net cost to the state of between approximately \$2,000 and \$5,000. However, the match would produce savings in all other possible scenarios. For example, it would yield over \$83,000 in gross savings if 6 months of benefits are avoided and the match was performed for all three programs (a savings-to-cost ratio of about 11 to 1). The net savings would be about \$76,000.

Our analysis assumes that only a small number of match hits are sent for follow-up (100), which results in a small number of valid hits (20). A larger number of valid hits would likely result in greater savings as well. For example, while some states, such as Kansas, with smaller recipient populations have reported relatively small numbers of valid hits and lower levels of savings, other states, such as Pennsylvania and New York, with larger recipient populations have had much higher numbers of valid hits and much greater levels of savings.

Although the information provided by states and our analysis indicate that participating in PARIS interstate matches can save federal and state funds, savings are not the only benefit of participating in PARIS. Interstate matches are an important internal control to help states meet their responsibility for ensuring that public assistance payments are only made to or on behalf of people who are eligible for them. In addition, PARIS officials in eight states told us they believe the PARIS interstate matches can help deter people from applying for duplicate public assistance payments.

Limitations of PARIS

The PARIS project's interstate matching has helped identify cases of duplicate benefits that otherwise would likely have gone undetected; however, PARIS has been limited by several factors. First, only one-third of the states are participating in the matches, and a large portion of the public assistance population is not covered by the matching. Second, the project has some problems with coordination and communication among project participants. Third, some states are giving inadequate attention to the project. As a result, match hits are not being resolved, and in particular, duplicate payments made for Medicaid beneficiaries receive low priority. Finally, the project cannot help prevent duplicate benefits from occurring in the first place, but can only identify and help stop them after they have started.

One-Third of the States Participate

Only one-third of the states are participating in the PARIS interstate matches. At the time of our review, 16 states and the District of Columbia were participating. As a result, the public assistance records of the other 34 states were not being shared with participating states.²¹ These nonparticipating states contain 64 percent of the population that is likely to be eligible for public assistance.²²

We spoke to officials in seven nonparticipating states to learn their reasons for not participating. They noted the state's preoccupation with more urgent matters, such as implementing new programs or systems, and the fact that information about the project had not reached someone with the interest and authority to get the state involved. They also cited some concerns about the project. These include

- lack of data showing that participating would produce savings for their state;
- nonparticipation of bordering states, which are perceived as the most likely sources of valid match hits;
- lack of written guidance on coordinating the resolution of match hits with other states; and
- inadequate federal sponsorship of PARIS and the resulting lack of assurance that the project will continue.

Efforts by federal agencies to increase participation in the project have been minimal. ACF, the lead agency on the project, has not officially recognized PARIS and devotes very little resources to it.²³ ACF management has not taken actions, such as sending letters to state TANF directors to inform them about the project and encourage them to participate. Also, ACF management has not asked other federal agencies to work with ACF on the project and help get more states involved. CMS, the federal agency that stands to reap the greatest savings from the project, has made no effort to encourage state Medicaid agencies to

²¹Some states run separate matches with other states not participating in the PARIS project. However, these matches are usually with just a few neighboring states, and many states do not do any interstate matching.

²²The nonparticipating states contain 62 percent of the total U.S. population and 64 percent of the U.S. population in poverty, according to 1999 data from the U.S. Census. However, since we completed our work, California participated in one interstate match on a trial basis, and Louisiana, Nevada, Puerto Rico, Texas, and Utah were considering joining.

²³For example, ACF has not taken actions, such as allocating funds to the project and including the project in its performance plan, that would indicate official management recognition of the project.

participate. In 1999, FNS sent a letter to state Food Stamp agencies encouraging them to participate in PARIS interstate matches; otherwise, FNS has had little involvement in the project. This lack of official support for the PARIS project may contribute to the low participation rate. For example, the TANF officials that we spoke with in one of the nonparticipating states who were relatively new to their positions said they had never heard of PARIS. In another nonparticipating state, a Medicaid official told us the state would be much more likely to participate in PARIS if CMS encouraged it to do so.

Participating States Have Difficulty With Coordination and Communication

The PARIS project has had various problems with coordination and communication that limit the project's effectiveness. The problems include the following.

- *Difficulties contacting other states.* Benefit workers in four of the five participating states that we visited said they have had difficulties contacting benefit workers in some other states to obtain information to resolve match hits or to get the evidence needed to take action against clients. Problems making contacts occur because the telephone numbers that states provide for obtaining information on individual cases are sometimes inaccurate or never answered or are central numbers that are just the starting point for finding the right person.
- *Submission of incomplete and incompatible data.* We noted that some of the states submit data for matching that are likely to increase the number of invalid match hits and the amount of work other states will have to do to determine if match hits are valid. For example, we found that some states include closed cases among the active cases submitted for matching, cases with improper SSNs, or cases that omit the dates clients started receiving benefits.
- *Uncertainties concerning responsibilities for collecting overpayments from individuals.* PARIS officials from three states said it is not clear which state should assess and collect an overpayment when it is found that a client has been receiving TANF or Food Stamp benefits from two or more states. For example, it is not clear if the state where the client does not reside should assess an overpayment because, as a nonresident, the client was not eligible to receive benefits from the state or if the state where the client does reside should assess the overpayment because it is much more likely to be able to collect the overpayment.²⁴ Also, it is not

²⁴According to PARIS officials in two states, collecting overpayments from nonresidents is difficult because the state cannot use one of its most effective means of collection—recouping overpayments from current benefits.

clear how to determine which state should assess an overpayment when the client claims two residences very near each other but in different states, and it is not known where the client actually lives.

Although some coordination and communication problems are likely to occur in any project that involves multiple states and different federal agencies, the project's lack of formal guidance and processes makes these problems more likely to occur. Currently, the formal guidance for the program only includes the file format the states need to provide for the match. However, it does not address matters such as the type of case information other states' benefit workers should be able to get when they call the telephone number provided for a case. Also, the guidance does not have written definitions of some key terms, such as "active case," or explanations of how the various data fields are to be used by states to investigate match hits. Further, the project has no guidance or protocols for coordinating the assessment and collection of overpayments. However, ACF, CMS, and FNS have not provided the management or administrative support—such as a formal focal point at the federal level—that would be needed to coordinate the project more effectively and help develop such guidance and protocols.²⁵

Management Attention Is Inadequate in Some States

In some states, management has given little or no attention to the PARIS interstate matches and has allowed match hits to go unresolved. This problem is more pronounced with Medicaid match hits because, in some states, they are given a lower priority than match hits involving TANF or Food Stamps.

We found evidence that in at least three states that have participated in the PARIS project since August 1999, match hits for the entire state or for some densely populated areas were not being resolved. The PARIS coordinator in one state told us that match hits in his state have never been sent out to workers to be resolved. In a second state, a large metropolitan area had not received any match hits from its district office until shortly before our visit in February 2001. The PARIS coordinator in a third state told us that a large county sometimes ignored the PARIS match hits sent to it for resolution.

The problem of not resolving match hits appears to be most pronounced in the Medicaid program. Information we received from DMDC indicates that

²⁵Currently, one individual at ACF handles most PARIS administrative activities on a part-time, informal basis.

some states may not be focusing sufficient attention on their Medicaid match hits. Because DMDC does not retain state data used for the PARIS matches, we were not able to determine how many match hits involving Medicaid are not resolved and thus recur each quarter. However, data provided by DMDC for the February 2001 PARIS matches show that some states have a relatively large percentage of match hits involving Medicaid. For example, if 40 percent of the records a state submitted for matching were for clients receiving benefits in a particular program, then one might reasonably expect to find that about 40 percent of the match hits involved that program. Thus, finding a disproportionately higher rate of match hits involving that program could suggest a possible problem. Such is the case with six states that have participated in PARIS since February 2000 or before. For each of the six states, the February 2001 PARIS match resulted in a proportionately higher percentage of match hits involving Medicaid than would generally be expected. For example, in one state, 60 percent of the records submitted for matching were cases involving only Medicaid benefits (not TANF or Food Stamps), but 78 percent of the resulting match hits were for such cases. In another state, 31 percent of the records submitted were for cases involving Medicaid received due to eligibility for SSI, but 69 percent of the resulting match hits were for such cases.

Match hits involving duplicate Medicaid benefits frequently occur, not because of fraud or abuse, but because Medicaid beneficiaries often do not notify the state when they move out of state. Therefore, a state will keep beneficiaries on the rolls until it discovers that they have moved. The state may make this discovery during a routine reverification of eligibility, which is generally performed once a year or less often. However, officials from several states have told us that their states never reverify the eligibility of a certain type of Medicaid beneficiary, such as one who is eligible based on his or her receipt of SSI.²⁶ Therefore, the PARIS matches often involve this type of beneficiary. Although a state receives notifications from SSA when SSI clients move out of the state, states often do not remove Medicaid beneficiaries from their rolls based on these notifications, according to an SSA official.

The PARIS coordinators for two states told us this problem came to light after they examined their first PARIS interstate match results and found a

²⁶In 32 states and the District of Columbia, people receiving SSI are automatically eligible to receive Medicaid; that is, they are considered to have met the states' eligibility requirements because they are receiving SSI. Officials in some states told us they do not periodically reverify the Medicaid eligibility of people who are automatically eligible for Medicaid.

startling number of match hits involving SSI recipients who were on the state's Medicaid rolls. One state compared the Medicaid match hits from its first PARIS run with SSA files and found 5,000 SSI recipients on the state's Medicaid rolls who, according to SSA records, were not residing in the state. This prompted the state to do a similar match with SSA records using all the state's Medicaid beneficiaries. The state then followed up with letters to Medicaid enrollees who the matches indicated no longer lived in the state. As a result of the PARIS and subsequent SSA matches, the state identified 17,000 people on its Medicaid rolls who were no longer eligible for Medicaid in the state.²⁷ We heard a similar story from another state. Both states, we were told, had been making monthly payments to MCOs for the Medicaid beneficiaries, who would have stayed on the states' rolls indefinitely if the state had not participated in the PARIS matches.

Yet even after receiving large numbers of Medicaid match hits, some states appear not to be resolving them or addressing the problems with their Medicaid rolls. We have been told by some PARIS coordinators that the departments administering Medicaid are focusing their efforts on getting people on the Medicaid rolls rather than removing people who are no longer eligible. PARIS officials in two states said that they believe the local benefit workers or the offices responsible for Medicaid have not adjusted their thinking to recognize the shift from a fee-for-service to a managed care environment. In the past, when Medicaid services were provided on a fee-for-service basis, costs were incurred only if beneficiaries sought medical treatment and providers submitted bills for the treatment. Therefore, if a beneficiary moved out of state but remained on the state's Medicaid rolls, medical expenses were not incurred for the beneficiary if he or she did not seek treatment in the state. However, when the state makes a fixed monthly payment to an MCO for each Medicaid beneficiary, as is done under some managed care arrangements, the state makes payments to the MCO regardless of whether the beneficiary ever seeks medical treatment.

PARIS Identifies Duplicate Benefits After They Are Provided

The PARIS project was designed to identify duplicate benefits after they have been provided, not to prevent the duplicate benefits from occurring in the first place. Therefore, the PARIS matches are part of what has been described as a "pay and chase" process, in which states pay benefits to clients and then try to recover overpayments when they discover the

²⁷The 17,000 people were no longer eligible because they no longer lived in the state; they were deceased; or they were no longer eligible for SSI, which was the basis for their Medicaid eligibility.

clients were not eligible for the benefits.²⁸ Preventing an improper payment in the first place is preferable to “pay and chase” because overpayments are often difficult to collect from low-income clients who no longer live in the state. Also, when states make payments to MCOs for beneficiaries who should no longer be on their Medicaid rolls, these funds are wasted unless they can be recouped. According to a Medicaid official, it may be difficult for states to recoup overpayments to MCOs caused by errors in states’ Medicaid rolls.

Officials from most states we spoke with said they would like a data-sharing process that could be used before benefits are provided—that is, a process that would allow state caseworkers to check other states’ data to see if an applicant was already receiving benefits elsewhere before the state approved an application for benefits. Such a process would have to provide prompt responses (probably within 24 hours) to inquiries—something very different from the quarterly PARIS matches. One option for this process includes a national database of clients receiving public assistance in any state. Such a database would be maintained by the federal government and would consist of records submitted and regularly updated by the states.²⁹

Implementing such an option would require federal leadership and funding to address programming and operating expenses and potentially the standardization of data and information systems among participating states.³⁰ Also, while implementing this option could help prevent duplicate payments, it must be balanced against the additional privacy concerns that might arise.³¹

²⁸See OMB Benefit Systems Review Team, *Strategies for Efficiency: Improving the Coordination of Government Information Resources* (Washington, D.C.: Jan. 1997).

²⁹An example of a national database that uses records submitted by the states is the National Directory of New Hires, which is used to locate parents who fail to provide child support payments.

³⁰For more information on options for enhanced data sharing, see OMB, *Strategies for Efficiency*, and FNS, *Options for a National Database to Track Participation in Federal Means-Tested Public Assistance Programs: Report to Congress* (Nov. 1999).

³¹Creation of a new database to be accessed by states could potentially increase the risk of unauthorized access to, and use of, personal information about public assistance recipients.

Conclusions

The PARIS project offers states a potentially powerful tool for improving the financial integrity of their TANF, Medicaid, and Food Stamp programs. However, the project has fallen short of realizing its full potential, as is most clearly evidenced by relatively low state participation. While PARIS' success ultimately rests in the hands of the states, key federal players have not done enough to provide a formal structure to the project that encourages and facilitates state participation. More specifically, ACF, CMS, and FNS have not taken the lead in establishing a focal point in the federal government for coordinating the project. This is crucial given the complicated relationships among the three programs and among the federal, state, and local government entities responsible for implementing them. Additionally, the three federal agencies have not worked together to develop guidance and protocols that are key for helping states share information and best practices. Finally, these agencies have not formally recognized, nor devoted sufficient resources to, the project, despite its potential to identify improper payments and save program funds. Importantly, this lack of formal federal recognition might signal to some states that the project should not be taken seriously.

Recommendations for Executive Action

To help states improve the effectiveness of PARIS and prevent duplicate benefit payments to TANF and Medicaid recipients, we recommend that the Secretary of HHS direct the Administrators of ACF and CMS to formally support PARIS and provide guidance to participating states. Such support and guidance should include the following actions:

- Create a focal point charged with helping states more effectively coordinate and communicate with one another. An existing entity, such as the Interagency Working Group, could provide the mechanism for such a focal point. This entity could also serve as a clearinghouse for sharing best practices information that all states could use to improve their procedures, such as comparisons of match filtering systems.
- Take the lead to help the PARIS states develop a more formal set of protocols or guidelines for coordinating their match follow-up activities and communicating with one another.
- Develop a plan to reach out to nonparticipating states and encourage them to become involved in PARIS. At a minimum, all states should be encouraged to provide their TANF and Medicaid recipient data for other states to match, even if they choose not to fully participate in PARIS. This would help to ensure that all recipients nationally are included in PARIS matches.
- Coordinate with the USDA/FNS Food Stamp program to encourage their participation in PARIS at the federal level as well as their working more

closely with individual states to improve the effectiveness of PARIS and helping more states to participate.

Agency Comments and Our Evaluation

Officials from the Department of Health and Human Services and the Food and Nutrition Service provided comments on our report, the full text of which appear in appendixes II and III, respectively. The agencies also included some technical comments, which we have incorporated where appropriate.

In general, HHS agreed with the overall intent of our recommendations, but consistently stressed the need for additional funding and staff resources to increase their PARIS activities. With regard to our first recommendation, HHS commented that it had created a PARIS work group composed of representatives from ACF and DMDC and has encouraged other agencies, such as CMS and FNS, to participate more actively in PARIS. HHS also stated that additional funding and staff resources from all involved agencies could help the work group to improve its services. We believe that while the PARIS workgroup provides useful guidance to participating states, to date it has been unable to resolve the problems and limitations we identified during our review. As we note in the report, this is due in part to ACF, CMS, and FNS not providing the management or administrative support necessary to correct these problems. Our recommendation is intended to encourage greater leadership by ACF, CMS, and FNS and a more coordinated proactive approach among the agencies to working together and with the states to address the limitations in PARIS.

With regard to our second recommendation, HHS cautioned that it is not appropriate for a federal agency to dictate or appear to dictate the protocol states use in their interaction with other states. HHS also argued that states are best able to determine the necessary procedures for PARIS. However, HHS acknowledged that with additional resources, ACF could help states develop such procedures and disseminate them to other states as necessary. We continue to believe that active federal leadership is needed to solve the communication and coordination problems discussed in the report. Consequently, we believe that ACF should act as a facilitator at the federal level to help states overcome some of the challenges they have reported communicating and coordinating with one another. Moreover, such facilitation can and should occur without impinging on the states' ability to administer the TANF, Medicaid, and Food Stamp programs in a manner that best fits their needs.

With respect to our third recommendation, HHS generally agreed that ACF could do a better job to reach out to additional states to persuade them to participate in PARIS. However, HHS did not agree with our statement that states could, at a minimum, provide their data for others to use, even if they do not directly participate in PARIS themselves. We believe that while full participation by all the states is clearly the preferred outcome, the inclusion of nonparticipating states' public assistance data for use by states participating in PARIS could help save additional benefit funds in the TANF, Medicaid, and Food Stamp programs.

Finally, with regard to our fourth recommendation, HHS noted that ACF has consistently coordinated with FNS in all PARIS activities, but agrees that a closer working relationship with FNS would add to the effectiveness of PARIS. We concur with HHS' assessment that ACF and FNS should work more closely together to improve existing PARIS operations and persuade additional states to participate.

FNS noted that the report is a balanced and fair description of the PARIS project, but they expressed a concern that certain passages in the report suggest that FNS should have a more formal role in PARIS, despite the fact that PARIS is primarily an ACF project. They also identified several reasons why PARIS is not used more by the Food Stamp program. They emphasized that FNS is not required by statute to track interstate receipt of Food Stamp benefits and that many states are already engaging in such activity on their own.

Although we recognize that FNS is not the lead agency responsible for PARIS, we do believe that FNS could take a more proactive stance to help coordinate the program at the federal level and persuade additional states to participate in PARIS. Moreover, we believe that although FNS is not mandated by statute to participate in PARIS, the benefits of PARIS in terms of potential program savings and enhanced program integrity warrant a more active role for the agency. Our analysis suggests that federal leadership from each of the involved federal agencies is critical to the success of PARIS, particularly with regard to expanding the number of states that participate in the project. In addition, while some states engage in interstate matching as noted in the report, we believe a more structured, far-reaching approach like that offered by PARIS is more effective.

FNS also commented that PARIS cannot prevent the initial duplicate payment of benefits and that the matching activity may not be cost-effective. We believe that although PARIS cannot prevent duplicate benefits from being provided when states initially determine individuals'

eligibility for benefits, using PARIS is preferable to not matching at all. Finally, the report notes that matching for the Food Stamp program alone may not be cost-effective and emphasizes the advantage of matching for multiple programs simultaneously.

As agreed with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days after its date. At that time, we will send copies to the Chairman, Senate Committee on Governmental Affairs; Secretary of HHS; Administrator for CMS; Administrator for FNS; and to other interested parties. Copies will also be made available to those who request them.

Please contact me or Kay Brown at (202) 512-7215 if you have any questions concerning this report or need additional information. Jeremy Cox, Kathleen Peyman, James Wright, and Jill Yost made key contributions to this report.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Robert Robertson". The signature is fluid and cursive, with the first name "Robert" and last name "Robertson" clearly distinguishable.

Robert E. Robertson
Director, Education, Workforce,
and Income Security Issues

Appendix I: Data and Assumptions Used in Our Analysis

In the table below, we describe the data and assumptions used to support our discussion on pages 12-15.

Our analysis incorporated data from five states (Kansas, Maryland, New York, Pennsylvania, and Texas), two federal agencies (Centers for Medicare & Medicaid Services and Food and Nutrition Service), and selected research studies.

Table 5: Scenario With Assumptions Used in Report

Variable	Value used	Basis	Details	
Savings				
Proportion of valid match hits	20%	The estimate contained in a cost-benefit analysis by the Administration for Children and Families.	New York	34.0
			Maryland	62.0
			Pennsylvania	19.0 ^a
			Texas	21.0
			Kansas	28.0
			Average	32.8%
Proportion of valid match hits that result in case closure or benefit reduction	Closure (71%)	Average for the 4 states providing data.	New York	65.0
			Pennsylvania	95.0
			Texas	97.0
			Kansas	28.0
	Benefit reduction (29%)	Average for the 4 states providing data.	New York	35.0
			Pennsylvania	5.0
			Texas	3.0
			Kansas	72.0
Monthly benefit for				
Household		Existing research and calculation.		
TANF	\$357.27	HHS Third Annual Report to Congress, 2000		
Medicaid	349.16	GAO calculation based on Urban Institute, 1999 ^c		
Food Stamps	162.00	USDA Office of Analysis, Nutrition and Evaluation, Statistics, FY1999		
Individual				
TANF	73.47 ^b	HHS Third Annual Report to Congress, 2000.		
Medicaid	129.32	Urban Institute, 1999 ^c		
Food Stamps	71.27	GAO/RCED-99-180 ^d		
Monthly benefit payments avoided	3	States can participate in 4 quarterly PARIS matches per year, thus, the number of benefit months a state could expect to save in each program may be closer to 3 months than the average (7 months) based on data reported by 5 states.	Kansas	6
			Maryland	12
			New York	3
			Pennsylvania	12
			Texas	2.4

Variable	Value used	Basis	Details	
Costs				
Time to follow up or resolve one match hit	120 minutes	Because of the wide variation in the time 4 states reported an average match hit requires to resolve, we selected a figure closer to the longest estimate. Average time based on data from 4 states is 67.5 minutes.	Pennsylvania	150 minutes-2.5 hours
			New York	60 minutes
			Maryland	30 minutes
			Kansas	30 minutes
Salary cost to resolve one match	68.97	Pennsylvania's figure is used because it includes state personnel, and local office staff costs of PARIS follow-up. Average based on data from 5 states is \$31.77.	New York	\$27.20
			Maryland	23.91
			Pennsylvania	68.97
			Kansas	7.00
			California	63.21
State costs to generate automated list of recipients for matching	\$440 per match	Average based on data from 3 states.	Maryland	757.00
			Pennsylvania	375.00
			Kansas	189.45
Other				
Average case or household size	2.7 individuals	Monthly Labor Review, May 2000 ^o		

Note: Figures are in nominal 1999 and 2000 dollars.

^aThe match hit rate reported by Pennsylvania is the hit rate based on "raw" (unfiltered) data. The hit rate based on filtered data is likely to be higher.

^bFigure represents average amount that a household's monthly TANF benefit would change if one person was removed from the case, based on data from HHS Third Annual Report to Congress, 2000.

^cMedicaid Managed Care Payment Methods and Capitation Rates: Results of a National Survey, 1999.

^dFood Stamp Program: Households Collect Benefits for Persons Disqualified for Intentional Program Violations (GAO/RCED-99-180, July 8, 1999).

^eSpending Patterns of Public-Assisted Families, Monthly Labor Review, May 2000.

Source: GAO analysis.

Formulas Used in Analysis

Savings

$$S = (A \times F + B \times I) \times X$$

where

S = Savings per benefit case avoided,

A = Proportion of match hits in which entire case is closed,

F = Family (case) monthly benefit,

B = Proportion of match hits where household members are removed from the case,

I = Monthly benefit for that number of individuals, and
X = Months of future benefit payments avoided.

This calculation was performed for each of the three programs (TANF, Food Stamps, and Medicaid) separately to demonstrate how the cost-effectiveness of a “good” PARIS match hit could change depending on the number of programs that are included in a match.

Costs

$$C = (N \times W) + L$$

where

C = Costs the state incurs for each case sent to field office staff for followup,

N = Number of hours required to work an average case,

W = Average hourly wage of individuals following up on match hits, and

L = Average cost per case that the state incurs to create the automated list of recipients each time it participates in the PARIS matches.

Savings/Cost Ratio

$$R = S / C$$

where

R = Ratio of savings to costs,

S = Savings, and

C = Costs.

Alternative Scenario

The savings that a state might experience from participating in PARIS could differ from those we have reported in the report, depending on which assumptions are used. Tables 6 and 7 illustrate the possible savings a state could realize if we use the averages reported by each state instead of the more conservative assumptions cited in the report. The assumptions used in these tables, where they vary from the values used in the report, are as follows:

- Number of benefit months avoided per valid match hit: 7 months;
- Valid hit rate: 30 percent;
- Each match hit requires 60 minutes (1 hour) to resolve;
- Cost to follow up on 1 match hit: \$31.77; and
- Cost to follow up on all 100 match hits: \$31.77 x 100 hits = \$3,177 + \$440 (cost of creating file of recipients for matching each time the PARIS match is performed) = \$3,617 total cost.

Using our hypothetical example in which 100 match hits are sent to local benefit office staff for follow up, table 6 illustrates how the savings to a state from participating in one PARIS match could vary depending on the number of programs included in the match and differences in the valid hit rate. The table assumes that the savings for each program accrue for 7 months.

Table 6: Estimated Net Savings Given Varying Valid Hit Rates

Program	Valid match hits and net savings		
	10%	30%	50%
TANF only	\$15,630	\$54,125	\$92,619
Medicaid only	16,361	56,317	96,273
Food Stamps only	5,881	24,878	43,875
TANF and Food Stamps	25,129	82,620	140,111
TANF and Medicaid	35,608	114,059	192,509
Food Stamps and Medicaid	25,859	84,812	143,765
All three programs	\$45,107	\$142,554	\$240,001

Notes: The table assumes that 7 months of benefit payments are avoided as a result of the match. Figures are in nominal 1999 and 2000 dollars.

Source: GAO analysis.

If 30 percent of the match hits are valid (they accurately identify 30 instances of duplicate benefits being paid) and the individuals identified are enrolled in all three programs, the match would produce gross savings of more than \$146,000 yielding a savings-to-cost ratio of about 40 to 1. After factoring in total costs of \$3,617 to participate and follow up on the match hits, the net savings are more than \$142,000. A valid hit rate of 10 percent—a rate substantially below what participating states have reported—in which the match only includes the Food Stamp program would still result in gross savings of about \$9,500 (a savings-to-cost ratio of almost 3 to 1).

The number of months that future benefit payments are avoided can also influence the amount of savings that result from a PARIS match. Table 7 illustrates the variation in program savings that could result depending on the number of months of future benefits that are avoided and the number of programs matched, given a 30 percent valid hit rate (30 match hits out of the 100 match hits sent for follow up result in some savings).

Table 7: Estimated Net Savings Given a Varying Number of Future Benefit Payment Months Avoided

Program	Benefit months avoided and net savings		
	3 months	9 months	15 months
TANF only	\$21,129	\$70,622	\$120,115
Medicaid only	22,069	73,441	124,813
Food Stamps only	8,595	33,019	57,444
TANF and Food Stamps	33,342	107,259	181,176
TANF and Medicaid	46,815	147,680	248,545
Food Stamps and Medicaid	34,281	110,077	185,874
All three	\$59,028	\$184,317	\$309,606

Notes: The table assumes a valid match hit rate of 30 percent. The average hit rate reported by the five states is 32.4 percent.

Figures are nominal 1999 and 2000 dollars.

Source: GAO analysis.

As the table shows, the state would experience net savings from participating in PARIS under each scenario, although the range of potential savings varies considerably. Three months' worth of Food Stamp benefits avoided would yield gross savings of more than \$12,000, (a savings-to-cost ratio of about 3 to 1). The net savings would be about \$8,600. However, the match could produce gross savings of about \$313,000 if 15 months of benefits were avoided and the match was performed for all three programs (a savings-to-cost ratio of about 87 to 1). Net savings would be about \$309,600.

Appendix II: Comments From the Department of Health and Human Services

Note: GAO comments supplementing those in the report text appear at the end of this appendix.



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

AUG 17 2001

Washington, D.C. 20201

Mr. Robert E. Robertson
Director, Education, Workforce,
and Income Security Issues
United States General
Accounting Office
Washington, D.C. 20548

Dear Mr. Robertson:

Enclosed are the Department's comments on your draft report, "Public Assistance: PARIS Project Could Help States Save Millions in Improper Benefit Payments." The comments represent the tentative position of the Department and are subject to reevaluation when the final version of this report is received.

The Department also provided some technical comments directly to your staff.

The Department appreciates the opportunity to comment on this draft report before its publication.

Sincerely,

A handwritten signature in black ink, reading "Michael F. Mangano", is positioned above the typed name.

Michael F. Mangano
Principal Deputy
Inspector General

Enclosure

The Office of Inspector General (OIG) is transmitting the Department's response to this draft report in our capacity as the Department's designated focal point and coordinator for General Accounting Office reports. The OIG has not conducted an independent assessment of these comments and therefore expresses no opinion on them.

COMMENTS OF THE DEPARTMENT OF HEALTH AND HUMAN SERVICES ON
RECOMMENDATIONS FROM THE U.S. GENERAL ACCOUNTING OFFICE'S DRAFT
REPORT, "PUBLIC ASSISTANCE: PARIS PROJECT COULD HELP STATES SAVE
MILLIONS IN IMPROPER BENEFIT PAYMENTS" (GAO-01-935)

General Comments

The Department of Health and Human Services appreciates the opportunity to comment on the General Accounting Office's (GAO) draft report. State and local governments' automated systems, such as the Public Assistance Reporting Information System (PARIS), are integral to the administration of programs that help low-income individuals with children obtain employment and become economically independent. The PARIS interstate match helps States share information on public assistance programs to identify individuals or families who may be receiving benefit payments in more than one State simultaneously. The information contained in GAO's report will inform the discussion surrounding the implementation and results of welfare reform as well as determine how effective PARIS has been in identifying improper payments, the system's limitations, and what, if any, improvements can be made.

The Department's Administration for Children and Families (ACF) initiated the PARIS project at the request of State agencies that wanted additional sources of information in order to correctly determine the eligibility of persons seeking or receiving public assistance. The report title states that the "PARIS Project Could Help States Save Millions in Improper Benefit Payments." We believe that, in fact, the PARIS project is currently helping States save millions of dollars each year in both State and Federal funds. Of equal importance to ACF is the integrity of our programs. By helping assure that correct benefits are going to persons entitled to receive those benefits, we promote public confidence and support for these important public assistance programs.

It is important to stress that PARIS was born out of a perceived need of the States and ACF to share information and reduce the possibility of waste, fraud and abuse in the arena of public assistance. The PARIS project received no allocation of resources from Congress and had moved ahead without a Federal mandate. In fact, if it were not for the technical and operational support of the Defense Manpower Data Center (DMDC), ACF would not be able to provide this important service to the States.

The level of success experienced through PARIS is the result of those dedicated State and Federal representatives who volunteered to actively coordinate their efforts to achieve the desired results. We believe the current situation serves to underscore the fact that the benefits derived, to date, from the implementation of this project would be even greater with a firm commitment of resources, including both funding and personnel.

Finally, while we and most of our State partners do not completely agree with the stated need for a real-time, GAO on-line system, our comments show that we generally agree with the overall intent of GAO's recommendations.

See GAO comment on
p. 35.

GAO Recommendation

Create a focal point charged with helping states more effectively coordinate and communicate with one another. An existing entity, such as the Interagency Working Group, could provide the mechanism for such a focal point. This entity could also serve as a clearinghouse for sharing best practices information that all states could use to improve their procedures, such as comparisons of match filtering systems.

Department Comment

The Department has created a PARIS work group composed of Federal and State officials. While it is true that ACF and DMDC are the only Federal agencies that actively participate and provide staff support for the project, other agencies, (Department of Veterans Affairs, Social Security Administration, Centers for Medicare and Medicaid Services (CMS), Food and Nutrition Service (FNS), and others) often participate in our annual meetings. We have in the past and continue to encourage CMS and FNS to participate more actively in the PARIS work group and would welcome much needed staff support for the project. With a commitment of additional resources in the form of both funding and personnel from all the agencies involved (including ACF) the work group could better provide the services required for a more successful clearinghouse.

GAO Recommendation

Take the lead to help the PARIS states develop a more formal set of protocols or guidelines for coordinating their match follow-up activities and communicating with one another.

Department Comment

The PARIS was designed as a tool for identifying possible erroneous, duplicative benefits to ineligible recipients by using available resources in a cost-effective system. The Department does not believe that it is appropriate for a Federal agency to dictate or appear to dictate protocol for States to use in their communication with other States or to appear to co-opt the project away from those States currently participating in PARIS. There are, in addition, limitations on the role played by ACF relative to the Temporary Assistance for Needy Families (TANF) program. Under the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, States have broad flexibility in the design and administration of the TANF program. In fact, section 417 of the Social Security Act limits ACF's role with regard to the conduct of States in the operation of the TANF program. While the TANF legislation established program requirements, States and localities are free to choose how they will meet these requirements within the overall context of how they choose to implement the program.

It is our position that the States themselves are best able to determine these procedures and to develop an acceptable model. We do agree, however, that with additional resources ACF could better assist States in the development of such procedures and in the dissemination of the accepted process to all States.

GAO Recommendation

Develop a plan to reach out to nonparticipating states and encourage them to become involved in PARIS. At a minimum, all states should be encouraged to provide their TANF and Medicaid recipient data for other states to match, even if they choose not to fully participate in PARIS. This will help to ensure that all recipients nationally are included in PARIS matches.

Department Comment

Although ACF has attempted to involve all States through cost-neutral presentations at forums such as the United Council on Welfare Fraud, we do agree that the agencies could do a better job of outreach. The CMS expects to distribute GAO's final report to State Medicaid agencies and to discuss PARIS and its potential with State eligibility and managed care technical advisory groups. This, again, would require the commitment of additional resources. The suggestion for allowances of minimum involvement that would permit the submission of TANF and Medicaid recipient data from nonparticipating States is appealing only in a hypothetical situation. This level of participation would be counter to the principles of PARIS since the purpose and commitment by two or more of those States who discover a possible match is to resolve the situation in *each* state.

GAO Recommendation

Coordinate with the USDA/FNS Food Stamps program to encourage their participation in PARIS at the federal level as well as their working more closely with individual states to improve the effectiveness of PARIS and helping more states to participate.

Department Comment

The ACF has consistently coordinated with FNS in all of the PARIS activities. We agree that a closer ACF working relationship with FNS would add to the efficacy of PARIS and we would welcome any additional involvement from FNS in the operation and expansion of this project.

The following is GAO's comment on the Department of Health and Human Services' letter dated August 17, 2001.

GAO Comment

The HHS comment concerning "the stated need for a real-time, GAO on-line system" is inaccurate. Although we discuss a national database as one option for providing prompt responses to interstate inquiries about public assistance applicants' eligibility for benefits, the report does not state that we or any other agency should develop or operate such a system.

Appendix III: Comments From the Food and Nutrition Service

The USDA Food and Nutrition Service did not provide a formal comment letter. However, as we agreed with Food Stamp Program officials, we are reprinting the comments faxed to us on July 24, 2001.

Now on p. 17.

COMMENTS ON DRAFT GAO REPORT

PARIS Project Could Help States Save Millions in Improper Benefit Payments

Comments focus on FNS and Food Stamp Program related material in the report.

The report presents a good analysis of the strengths and weaknesses of PARIS. The authors were sensitive to and incorporated FNS' comments (during the entrance conference) regarding the option of a National Database. The report cites the FNS Report to Congress and emphasizes the possible privacy concerns.

The report recommends that HHS direct the Administrators of ACF and CMS to formally support PARIS and provide guidance to participating states. As part of that recommendation the following action recommends that HHS coordinate with FNS to encourage Food Stamp participation in PARIS at the federal level as well as their working more closely with individual states to improve the effectiveness of PARIS and helping more states to participate

Substantive Comments:

The following three statements imply that FNS should have more formal involvement in the PARIS project.

Page 3 middle of last paragraph: **"...a substantial portion of the national public assistance recipient population is not included in the PARIS matching process. This is partly because the federal agencies responsible for these programs have done little to encourage state participation in PARIS through outreach efforts or to systematically address state concerns that have contributed to limited participation."**

Page 16 last sentence: **"In 1999, FNS sent a letter to state Food Stamp agencies encouraging them to participate in PARIS interstate matches; otherwise, FNS has had little involvement in the project. This lack of official support for the PARIS project may contribute to the low participation rate."**

Page 18 end of first paragraph: **"Further, the project has no guidance or protocols for coordinating the assessment and collection of overpayments. However, ACF, CMA and FNS have not provided the management or administrative support...that would be needed to coordinate the project more effectively and help develop such guidance and protocols."**

PARIS is primarily an ACF project. FNS has been involved on a federal level and has taken an active role in PARIS. FNS staff have met periodically with ACF staff and attend PARIS conferences on a regular basis.

PARIS is not used more often by the FSP for at least three reasons.

(1) Title I of PRWORA provided that States track TANF recipients across State boundaries as well as within their own jurisdiction and that recipients be tracked over time to ensure they do not participate beyond legislated time limits. There is no current requirement for interstate tracking for the FSP.

(2) Page 20: Last sentence **“The PARIS project was designed to identify duplicate benefits after they have been provided, not to prevent the duplicate benefits from occurring in the first place.”**

Back end matching for duplicate participation is not the most effective matching strategy for the FSP given the relatively short certification periods.

Front end matching prevents the duplicate benefits from occurring and is more cost effective. This strategy increases the savings to cost ratio, increases program integrity and reduces the error rate.

(3) States are proactive and often exchange information and data with other individual States.

Although there is presently no systematic cross State tracking at a national level, matching is often conducted against caseload data from neighboring States (often only including border counties). Many States also conduct matches based on profiling or targeting strategies.

As of August 1999 38 States participated in some form of cross State matching, routine matching and/or participating in PARIS. Twenty five States conduct routine interstate matching or food Stamp Records.

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